



BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

AUG 30 2001

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

DOCKETED BY	<i>sd</i>
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IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
U.S. V.A. MEDICAL CENTER.)

DOCKET NO. G-01551A-01-0628

DECISION NO. 63983

ORDER

Open Meeting
August 28 and 29, 2001
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On August 3, 2001, Southwest filed for Commission approval of a special gas procurement agreement with U.S. V.A. Medical Center ("VA Medical Center").

3. The proposed agreement reflects an effective date of August 1, 2001, subject to Commission approval. Given the likely date of Commission action on this filing being after August 1, 2001, Southwest has indicated that the actual effective date of the agreement will be September 1, 2001, assuming Commission approval by that date.

4. The proposed procurement agreement has an initial term of one year. The agreement would automatically continue unless either party gives notice of termination at the end of the primary term or the agreement would terminate on the first day of any calendar month after either party has provided notice of termination at least 90 days prior.

5. VA Medical Center is currently served under Schedule No. B-1, Potential Bypass/Standby Gas Service.

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1 6. Service under Schedule G-30 is available to customers who can establish that bypass of
2 Southwest is economically, operationally, and physically feasible and imminent. VA Medical Center
3 is located approximately 2000 feet from El Paso Natural Gas Company's ("El Paso") interstate
4 pipeline.

5 7. Staff has reviewed VA Medical Center's usage characteristics and believes that bypass
6 is a viable option for VA Medical Center. Further, Southwest has indicated the proposed procurement
7 agreement is necessary to avoid such a bypass.

8 8. Southwest has indicated that it will enter into gas supply contracts with a gas supplier
9 for VA Medical Center's gas requirements which are separate from Southwest's general system supply
10 contracts and that this supply will be accounted for separately from Southwest's general system supply.

11 9. The specific charges for serving VA Medical Center were provided to Staff under a
12 confidentiality agreement. Staff has reviewed the charges included in the proposed procurement
13 agreement and believes that the revenues Southwest receives should cover its cost of serving VA
14 Medical Center. However, if conditions change it is theoretically possible that Southwest could
15 experience a negative margin on this procurement agreement.

16 10. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor account
17 with all upstream pipeline capacity charges collected from VA Medical Center. This will benefit
18 Southwest's core customers.

19 11. VA Medical Center has a viable alternative to being served by Southwest. Without this
20 agreement, Southwest might lose net revenues it would otherwise receive.

21 12. Staff has recommended approval of this filing.

22 13. Further, Staff has recommended that any negative margin resulting from this agreement
23 not be recovered from other ratepayers in any future proceeding.

24 CONCLUSIONS OF LAW

25 1. Southwest is an Arizona public service corporation within the meaning of Article XV,
26 Section 2, of the Arizona Constitution.

27 2. The Commission has jurisdiction over Southwest and over the subject matter of the
28 application.

3. The Commission, having reviewed the application and Staff's Memorandum dated August 16, 2001, concludes that it is in the public interest to approve the filing.

ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 30th day of August, 2001.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

SMO:BGG:lhmcck

1 SERVICE LIST FOR: Southwest Gas Corporation
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